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Washington Office

ALA American Library Association

October 30, 1996

Martha S. Hogerty
Public Counsel for the State of Missouri
P.O. Box 7800
Harry S. Truman Building, Room 250
Jefferson City, MO 65102

Dear Ms. Hogerty:

The American Library Association (ALA) is pleased that a number of provisions included in its filings on CC Docket 96-45 have been incorporated into the National Telecommunications and Information Administration's (NTIA) October 10, 1996 Further Comments. The NTIA proposal was endorsed by the Secretaries of Education, Commerce, and Agriculture. The goal of the NTIA proposal is in keeping with those of ALA and other education organizations -- universal access for every student to the information superhighway through this nation's schools and libraries. Many details are not spelled out in the NTIA further comments, but ALA believes that the NTIA framework, if properly implemented, could result in significant and meaningful discounts for every commercial telecommunications service available, now or in the future. Only through deep discounts, applied to every commercial telecommunications services, can libraries and schools provide every American with the ability "to browse library collections, review the collections of museums, or find new information on the treatment of an illness" as was intended by Congress.¹

The NTIA Further Comments contain several proposals that ALA believes to be consistent with this vision. These include:

- 1.1 A definition of a basic package of functionalities that schools and libraries need and valuation of that package as a portable credit which can be applied toward the purchase of other telecommunications services that libraries and schools may find better suited to their needs. ALA believes that in order to ensure comparable access to telecommunications services between high cost and low cost areas, the valuation of the portable credit should be based on the cost of providing the basic package in a given area. Reliance on a cost foundation is consistent with the goal that the FCC and the 1996 Telecommunications Act seek -- the growth of competition and the driving of price towards cost. Cost avoids arbitrary markups depending on market power in given regions, is verifiable, and permits the application of the discount to all services on an

¹ H.R. CONF. REP. NO. 458, 104th Cong., 2d Sess. 132 (1996).

ongoing basis.

In a high cost area the valuation would be higher than for the same set of services in a low cost area. This would allow libraries and schools in high cost areas the same degree of flexibility in using the portable credit to purchase alternative telecommunications services.

- 1.2 Requirements for deeper discounts for high cost and low income areas. The 1996 Telecommunications Act specifically calls for telecommunication services to be provided to users in “rural, insular, and high cost areas” at rates similar to those charged in urban, presumably low cost areas.² ALA also recommends that additional discounts be provided for libraries and schools in high cost and low income areas.³ Discounts would be compounded in areas deemed both high cost and low income. Service providers would be reimbursed for the deeper discounts from a universal service fund, a fund to which all eligible telecommunications carriers would contribute. As long as all telecommunications service providers are required to contribute, such a fund would be competitively neutral.

As publicly funded institutions, libraries and schools in high cost and low income areas have limited budgets. Affordability of service will be a critical barrier for these libraries and schools to provide access to electronic resources. In many low income and high cost areas, libraries and schools will be the only reasonable public access facility to advanced infrastructure and information services.

- 1.3 Use of a competitive model that drives down the cost of services by using marketplace incentives for the basic package, as well as for other telecommunications services. Where full competition exists, a competitive model should provide the proper basis for discounts. Where full competition does not exist, ALA has proposed that the total service long run incremental cost (TSLRIC) for a telecommunications service provides the best surrogate for the price of a telecommunications service in a fully competitive market⁴. In cases where competition does not exist, but there is a large commercial buyer of telecommunications services, the best available commercial rate for that buyer could also be used as the basis for the discount, provided that such rates applied to services that libraries and schools determine they actually need. The TSLRIC price or the best commercial rate would simply have to be certified by the telecommunications provider. In either case, reimbursement to the telecommunications service provider should be equal

²1996 Telecommunications Act, Sec. 254 (b) (3)

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to the amount by which the provider's cost actually exceeds the discounted price to the library or school, after reimbursements for low income and/or high cost circumstances are calculated.

- 1.4 Stipulations that all telecommunications services be made available at significant discounts. ALA has proposed that every telecommunications service available commercially now, or in the future, be available at significant and meaningful discounts.⁵ Libraries currently have a variety of telecommunications needs including regular telephony, providing dial-in access to online catalogs and databases, and providing access to the multimedia information available on the Internet. Libraries require flexibility in selecting telecommunications services that best meet their needs. Furthermore, as the information infrastructure evolves technologically and in the sophistication of its content, libraries will need to keep pace with this evolution if equitable access to information is to be maintained for all Americans.

If the NTIA proposal is adopted, ALA recommends that services not included in the basic package be discounted based either on the best available commercial rate for the comparable service in a low cost area or the TSLRIC for the comparable service in a low cost area. It is important that all telecommunication services be available at a deep discount to schools and libraries. This is particularly important for those services that would enable the use and delivery of high bandwidth multimedia types of information to large numbers of simultaneous users.

ALA recommends that the Federal-State Joint Board in their deliberations carefully consider the following aspects of the NTIA proposal.

- 2.1 Providing assurances that the NTIA basic package evolves as technology evolves. By splitting telecommunications services into two categories of discounts, the NTIA proposal has raised the issue of how to ensure that the basic package continues to evolve as technology evolves. Any review process would occupy the resources of the library and education community as well as those of the FCC. Furthermore, a triennial review process, such as proposed by NTIA, could miss important technological developments. It is interesting to note for example that the World Wide Web only began to emerge in 1994, less than 2 years ago.

ALA seeks to minimize the regulatory burdens imposed by universal service requirements. Thus, it recommends that significant discounts be applied to all telecommunications services. These discounts would be technologically neutral and take into account the emergence of new technologies. Using a self advancing cost-based discount methodology applied to any commercially available telecommunications service

⁵See ALA Comments at 5-13; ALA Reply Comments at 2-3; ALA Reply to Public Notice at 1-3. NASB, et. al. Comments at 12-18; EDLINC Reply to Public Notice at 8-10.

would meet these objectives.⁶

- 2.2 Inclusion of Internet service provision in the basket of basic services. ALA agrees that provision of such service is necessary for achieving the goal of providing access to advanced telecommunications services for libraries and schools. However, inclusion of Internet service in a basket of basic services raises reimbursement issues that the Joint Board should carefully consider. The Joint Board will need to consider whether Internet Service Providers (ISPs) are eligible for reimbursements from a universal service fund. If ISPs are eligible, will they be required to contribute to such a fund? If ISPs are not eligible for reimbursement, then will eligible telecommunications carriers be the only ones with incentives to provide Internet service to libraries and schools? ALA is concerned about this latter situation, where only one provider or a few might have reason to offer services to libraries and schools. ALA recommends that in any rulemaking, if Internet service is to be included, the universal service mechanisms be structured so that all potential providers of Internet service would have the same incentive to deal with schools and libraries.

The American Library Association commends the members of the Federal-State Joint Board and its staff for its efforts in this proceeding. If you have any questions about the issues raised here or in any of the filings ALA has made, please feel free to contact me, Lynne Bradley, Deputy Executive Director, or Andrew Magpantay, director of ALA's Office for Information Technology Policy. You may reach any of us at (202) 628-8410.

Sincerely,



Carol C. Henderson
Executive Director
Washington Office
American Library Association

CC: William F. Caton

⁶See ALA Comments at 16-17; ALA Reply Comments at 2, 6; ALA Reply to Public Notice at 3, 14. NASB, et. al. Comments at 17.

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Washington Office

ALA American Library Association

October 30, 1996

The Honorable Kenneth McClure, Vice Chairman
Missouri Public Service Commission
301 W. High Street, Suite 530
Jefferson City, MO 65102

Dear Vice Chairman McClure:

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ALA recommends that the Federal-State Joint Board in their deliberations carefully consider the following aspects of the NTIA proposal.

- 2.1 Providing assurances that the NTIA basic package evolves as technology evolves. By splitting telecommunications services into two categories of discounts, the NTIA proposal has raised the issue of how to ensure that the basic package continues to evolve as technology evolves. Any review process would occupy the resources of the library and education community as well as those of the FCC. Furthermore, a triennial review process, such as proposed by NTIA, could miss important technological developments. It is interesting to note for example that the World Wide Web only began to emerge in 1994, less than 2 years ago.

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The American Library Association commends the members of the Federal-State Joint Board and its staff for its efforts in this proceeding. If you have any questions about the issues raised here or in any of the filings ALA has made, please feel free to contact me, Lynne Bradley, Deputy Executive Director, or Andrew Magpantay, director of ALA's Office for Information Technology Policy. You may reach any of us at (202) 628-8410.

Sincerely,



Carol C. Henderson
Executive Director
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